

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH  
OF RICHLAND  
d.b.a. Richland Parish Hospital  
*Delhi, Louisiana***

***REPORT OF EXAMINATION***

***For the Years Ended  
September 30, 2009 and 2008***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/5/10

**PARRISH • MOODY & FIKES, p.c.**  
*Certified Public Accountants*  
*Waco, Texas*



**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

---

**TABLE OF CONTENTS**

	<u>Page Number</u>
Management's Discussion and Analysis	1 - 5
Independent Auditor's Report	6
Financial Statements:	
Balance Sheets	7
Statements of Revenues, Expenses, and Changes in Net Assets	8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 24
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26
Schedule of Findings and Responses	27
Schedule of Prior Year Findings and Responses	28 - 30

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

---

Our discussion and analysis of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital's (the "*District*") financial performance provides an overview of the District's financial activities for the fiscal years ending September 30, 2009 and 2008. Please read it in conjunction with the District's financial statements, which begin on page 7.

**Financial Highlights**

- The District's net assets increased by \$1,017,349 or 11.7% in 2009, and increased \$1,942,733 or 28.9% in 2008.
- The District reported an operating loss in 2009 of \$(69,017) and an operating income in 2008 of \$183,181. Operating income in 2009 decreased by \$252,198 or 137.7% over the income reported in 2008. The operating income in 2008 increased by \$2,231,790 or 108.9% compared to 2007.
- Nonoperating revenues and expenses, including capital and noncapital grants and contributions, decreased by \$673,186 or 38.3% in 2009 compared to 2008, and increased by \$896,616 or 103.9% during 2008 compared to 2007.

**Using This Annual Report**

The District's financial statements consist of three statements – a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, or enabling legislation.

**The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets —**

Our analysis of the District finances begins on page 7. One of the most important questions asked about the District's finances is, "What is the District's financial position and how does it compare to prior years?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. One can think of the District's net assets—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors, however, such as changes in the District's tax base, as well as local economic factors to assess the overall health of the District.

**The Statement of Cash Flows —**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

---

**The District's Net Assets**

The District's net assets are the difference between its assets and liabilities reported in the Balance Sheets on page 7. The District's net assets increased by \$1,017,349 or 11.7% in 2009, and \$1,942,733 or 28.9% in 2008, as shown in Table 1.

**Table 1: Assets, Liabilities, and Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current assets	\$ 6,494,787	\$ 5,162,692	\$ 4,899,309
Capital assets, net	2,575,508	3,121,770	3,331,848
Other noncurrent assets	<u>2,280,024</u>	<u>2,180,438</u>	<u>1,304,251</u>
Total assets	<u>\$ 11,350,319</u>	<u>\$ 10,464,900</u>	<u>\$ 9,535,408</u>
Liabilities:			
Current liabilities, less current debt	\$ 1,077,190	\$ 897,058	\$ 1,604,289
Long-term debt outstanding	<u>597,039</u>	<u>909,101</u>	<u>1,215,111</u>
Total liabilities	<u>1,674,229</u>	<u>1,806,159</u>	<u>2,819,400</u>
Net assets:			
Invested in capital assets net of related debt	1,978,469	2,212,669	2,116,737
Unrestricted	<u>7,697,621</u>	<u>6,446,072</u>	<u>4,599,271</u>
Total net assets	<u>9,676,090</u>	<u>8,658,741</u>	<u>6,716,008</u>
Total liabilities and net assets	<u>\$ 11,350,319</u>	<u>\$ 10,464,900</u>	<u>\$ 9,535,408</u>

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND**  
**d.b.a. Richland Parish Hospital**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

**Operating Results and Changes in the District's Net Assets**

In 2009, the District's net assets increased by \$1,017,349 or 11.7%, as shown in Table 2. This increase is less than the increase in 2008 of \$1,942,733 or 28.9%, compared to 2007.

**Table 2: Operating Results and Changes in Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues:			
Net patient service revenue	\$ 14,546,517	\$ 13,845,175	\$ 11,005,767
Other revenue	565,133	564,225	549,544
Total revenues, gains and other support	<u>15,111,650</u>	<u>14,409,400</u>	<u>11,555,311</u>
Expenses:			
Operating expenses	14,517,362	13,586,700	13,031,330
Depreciation and amortization	663,305	639,519	572,590
Total expenses	<u>15,180,667</u>	<u>14,226,219</u>	<u>13,603,920</u>
Operating income (loss)	<u>(69,017)</u>	<u>183,181</u>	<u>(2,048,609)</u>
Nonoperating revenues and expenses:			
Property tax revenue	255,164	185,761	128,916
Noncapital grants and contributions	682,809	663,898	618,288
Investment income	174,722	149,577	136,080
Interest expense	(34,841)	(48,184)	(50,848)
Gain on disposal of assets	-	-	30,500
Total nonoperating revenues (expenses)	<u>1,077,854</u>	<u>951,052</u>	<u>862,936</u>
Excess of revenues over expenses before capital grants and contributions	1,008,837	1,134,233	(1,185,673)
Capital grants and contributions	<u>8,512</u>	<u>808,500</u>	<u>-</u>
Increase (decrease) in net assets	1,017,349	1,942,733	(1,185,673)
Net assets, beginning of year	<u>8,658,741</u>	<u>6,716,008</u>	<u>7,901,681</u>
Net assets, end of year	<u>\$ 9,676,090</u>	<u>\$ 8,658,741</u>	<u>\$ 6,716,008</u>

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

---

**Operating Results and Changes in the District's Net Assets** *(Continued)*

**Operating Income (Loss) —**

The first component of the overall change in the District's net assets is its operating income (loss). In 2009, the District reported an operating loss, which is a decrease of \$252,198 or 137.7% from the operating income reported in 2008. The operating income in 2008 increased by \$2,231,790 or 108.9% over the operating loss reported in 2007.

The primary components of the operating loss in 2009 are:

- An increase in gross patient service revenues of approximately \$933,000.
- A decrease in uncompensated care reimbursement of approximately \$673,000.
- An increase in salary and benefit expense of approximately \$821,000.

The primary components of the operating income in 2008 are:

- An increase in outpatient revenues of approximately \$380,000.
- An increase in rural health clinic revenues of approximately \$420,000.
- An increase in uncompensated care reimbursement of approximately \$376,000.

**Nonoperating Revenues and Expenses —**

Nonoperating revenues consist primarily of property taxes levied by the District and grant revenue. Property taxes have increased only slightly over the past two years; increasing by \$69,403, or 37.4% in 2009 compared to a \$56,845, or 44.1%, increase in 2008. Grant revenue decreased \$781,077, or 53.0% in 2009 and increased by \$854,110 or 138.1% in 2008.

**The District's Cash Flows**

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, discussed earlier.

**Capital Asset and Debt Administration**

**Capital Assets** - At the end of 2009 and 2008, the District had approximately \$2.6 million and \$3.1 million, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements.

**Debt** - At the end of 2009 and 2008, the District had approximately \$597,000 and \$909,000, respectively, in debt outstanding, as detailed in Note 7 to the financial statements.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

---

**Contacting the District's Financial Management**

This financial report is designed to provide our suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jinger Greer, CPA, at Hospital Service District No. 1A of the Parish of Richland, 407 Cincinnati Street, Delhi, Louisiana.

**PARRISH • MOODY & FIKES, p.c.**

CERTIFIED PUBLIC ACCOUNTANTS

7901 WOODWAY DRIVE, SUITE 100

WACO, TEXAS 76712-3866

(254) 776-8244

FAX (254) 776-8277

E-MAIL: [pmf@pmfwaco.com](mailto:pmf@pmfwaco.com)

OFFICES IN:

WACO & AUSTIN,

TEXAS

**INDEPENDENT AUDITOR'S REPORT**

---

To the Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

We have audited the accompanying balance sheets of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the "District") as of September 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital as of September 30, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Waco, Texas  
February 19, 2010



*THIS PAGE INTENTIONALLY LEFT BLANK*

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND**  
**d.b.a. Richland Parish Hospital**

**BALANCE SHEETS**

**SEPTEMBER 30, 2009 AND 2008**

Assets	2009	2008
<b>Current assets</b>		
Cash and cash equivalents	\$ 447,525	\$ 70,986
Short-term investments	2,391,763	2,133,507
Assets limited as to use - current	15,092	50,315
Patient accounts receivable, net	1,632,734	1,729,413
Estimated third-party payor settlements receivable	1,005,748	187,857
Other current assets	<u>1,001,925</u>	<u>990,614</u>
Total current assets	<u>6,494,787</u>	<u>5,162,692</u>
<b>Assets limited as to use - long-term</b>	1,407,407	1,339,572
<b>Long-term investments</b>	636,529	604,778
<b>Capital assets</b>		
Land	159,695	159,695
Construction in progress	69,126	-
Depreciable capital assets, net	<u>2,346,687</u>	<u>2,962,075</u>
Total capital assets, net	<u>2,575,508</u>	<u>3,121,770</u>
<b>Other assets</b>	<u>236,088</u>	<u>236,088</u>
	<u><u>\$ 11,350,319</u></u>	<u><u>\$ 10,464,900</u></u>

Liabilities and Net Assets	2009	2008
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 301,559	\$ 312,219
Accounts payable	198,747	231,755
Estimated third-party payor settlements payable	54,539	-
Accrued expenses	823,904	665,303
Total current liabilities	1,378,749	1,209,277
<b>Long-term debt, net of current portion</b>	295,480	596,882
Total liabilities	1,674,229	1,806,159
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Invested in capital assets net of related debt	1,978,469	2,212,669
Unrestricted	7,697,621	6,446,072
Total net assets	9,676,090	8,658,741
	<u>\$ 11,350,319</u>	<u>\$ 10,464,900</u>

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

	2009	2008
<b>Unrestricted revenues, gains and other support</b>		
Net patient service revenue	\$ 14,546,517	\$ 13,845,175
Other revenue	565,133	564,225
Total revenues, gains and other support	<u>15,111,650</u>	<u>14,409,400</u>
<b>Expenses</b>		
Operating expenses	14,517,362	13,586,700
Depreciation and amortization	663,305	639,519
Total expenses	<u>15,180,667</u>	<u>14,226,219</u>
<b>Operating income (loss)</b>	<u>(69,017)</u>	<u>183,181</u>
<b>Nonoperating revenues (expenses)</b>		
Property tax revenue	255,164	185,761
Noncapital grants and contributions	682,809	663,898
Investment income	174,722	149,577
Interest expense	(34,841)	(48,184)
Total nonoperating revenues (expenses)	<u>1,077,854</u>	<u>951,052</u>
Excess of revenues over expenses before capital grants contributions	1,008,837	1,134,233
<b>Capital grants and contributions</b>	<u>8,512</u>	<u>808,500</u>
<b>Increase (decrease) in net assets</b>	1,017,349	1,942,733
<b>Net assets, beginning of year</b>	<u>8,658,741</u>	<u>6,716,008</u>
<b>Net assets, end of year</b>	<u><u>\$ 9,676,090</u></u>	<u><u>\$ 8,658,741</u></u>

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND**  
**d.b.a. Richland Parish Hospital**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED**  
**SEPTEMBER 30, 2009 AND 2008**

	2009	2008
<b>Cash flows from operating activities</b>		
Cash received from patients and third-party payors	\$ 13,879,844	\$ 13,912,864
Other receipts and payments from operations, net	560,400	570,684
Cash paid to suppliers	(4,395,777)	(4,651,924)
Cash paid to employees	(8,296,735)	(7,496,438)
Cash paid for employee benefits & payroll taxes	(1,744,489)	(1,962,736)
Net cash provided by (used in) operating activities	<u>3,243</u>	<u>372,450</u>
<b>Cash flows from investing activities</b>		
Investment earnings	213,376	149,761
Purchases of noncash investments	(357,842)	(1,517,564)
Net cash provided by (used in) investing activities	<u>(144,466)</u>	<u>(1,367,803)</u>
<b>Cash flows from capital and related financing activities</b>		
Capital grants and contributions	8,512	808,500
Principal payments on long-term debt and notes payable	(312,062)	(306,010)
Interest payments on long-term debt and notes payable	(34,841)	(48,184)
Purchase of capital assets	(117,043)	(429,441)
Net cash provided by (used in) capital and related financing activities	<u>(455,434)</u>	<u>24,865</u>
<b>Cash flows from noncapital financing activities</b>		
Property taxes	255,164	185,761
Noncapital grants and contributions	682,809	629,067
Net cash provided by (used in) noncapital financing activities	<u>937,973</u>	<u>814,828</u>
Net increase (decrease) in cash and cash equivalents	341,316	(155,660)
<b>Cash balance, beginning of year</b>	<u>121,301</u>	<u>276,961</u>
<b>Cash balance, end of year</b>	<u><u>\$ 462,617</u></u>	<u><u>\$ 121,301</u></u>

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**STATEMENTS OF CASH FLOWS  
(Continued)  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

	2009	2008
<b>Reconciliation of cash and equivalents to the balance sheets</b>		
Cash and equivalents presented under the following titles:		
Cash and cash equivalents	\$ 447,525	\$ 70,986
Assets limited as to use - current	15,092	50,315
	<u>\$ 462,617</u>	<u>\$ 121,301</u>
<b>Reconciliation of net income to net cash flows from operating activities</b>		
Operating income (loss)	\$ (69,017)	\$ 183,181
Adjustments to reconcile operating income to net cash flows used in operating activities:		
Depreciation and amortization	663,305	639,519
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	96,679	668,254
(Increase) decrease in other assets	(49,965)	(474,725)
Increase (decrease) in accounts payable and accrued expenses	125,593	(43,214)
(Increase) decrease in third-party payor settlements	<u>(763,352)</u>	<u>(600,565)</u>
Net cash provided by (used in) operating activities	<u>\$ 3,243</u>	<u>\$ 372,450</u>

The accompanying notes are an integral part of these financial statements.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

---

**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the "District") was created on April 18, 1989, by the Richland Parish Police Jury. The District is comprised of and embraces the territory contained within Ward 1 of the Parish of Richland, State of Louisiana, as constituted as of the date of the ordinance.

Effective October 1, 1989, Richland Parish Hospital Service District No. 1 transferred operations of the hospital in Delhi, Louisiana to Richland Parish Hospital Service District No. 1A, along with all related assets, liabilities, and equity.

The District is a political subdivision of the Richland Parish Police Jury whose jurors are elected officials. The District's commissioners are appointed by the Richland Parish Police Jury. As the governing authority of the Parish for reporting purposes, the Richland Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Richland Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District.

**Proprietary Fund Accounting**

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

**Property Tax Revenues**

The District levies a property tax on all property subject to taxation in the service district. A 5.5 mill tax runs for a period of ten years, beginning with the year 2001, and ending in 2010. Such rate may be subject to adjustment from time to time due to reassessment. Mill rates for 2009 and 2008 were 7.9 mills and 7.75 mills, respectively. The purpose of the tax is constructing, maintaining, improving and operating the hospital. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15, each year, due by December 31, and are considered delinquent by January 31. During 2009 and 2008, these funds were used as follows:

	<u>2009</u>	<u>2008</u>
Percentage used to support operations	70%	58%
Percentage used for debt service on Special Tax Certificates of Indebtedness, Series 2002	30%	42%

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

---

**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB).

On October 1, 2007, the District adopted the provisions of Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, as amended by GASB Statement 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet; a statement of revenue, expenses and changes in net assets; and a direct method statement of cash flows. Statement 34 requires the classification of net assets into three components — invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

1. **Invested in Capital Assets, Net of Related Debt** — This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted** — This component of net assets consists of net assets whose use is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or by laws through constitutional provisions or enabling legislation.
3. **Unrestricted** — This component of net assets consists of those assets that do not meet the definition of "restricted" or "invested in capital, net of related debt."

The District also implemented the provisions of GASB Statement 38, *Certain Financial Statement Note Disclosures*, in the accompanying financial statements. The implementation of this statement refined and extended the required disclosures in the financial statements.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures — an amendment of GASB Statement No. 3*, was issued in March 2004, and was adopted by the District for its basic financial statements as of and for the year ended September 30, 2005. This statement modifies the disclosure requirements for custodial credit risk and requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. These risks include interest rate risk, custodial credit risk, and concentrations of credit risk. While this statement did not affect amounts reported in the financial statements of the District, certain note disclosures have been added and or amended including credit ratings of investments, and weighted average maturity of investments. Implementation of this statement has no effect on net assets.



**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

---

**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting Standards (Continued)**

The financial statements have been prepared on the accrual basis and in accordance with guidelines recommended by the Committee on Health Care Institute and Subcommittee on Health Care Matters of the American Institute of Certified Public Accountants. The accrual basis of accounting recognizes revenues when earned rather than when received. Expenses are recognized when incurred rather than when paid.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. The District occasionally invests its surplus operating funds (if any) in certificates of deposits.

**Assets Limited as to Use**

Assets limited as to use (if any) primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Commissioners for employee benefits and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the District have been reclassified in the balance sheets at September 30, 2009 and 2008.

**Capital Assets**

Capital assets are comprised of property and equipment acquisitions and are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

---

**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Gifts of long-lived assets (if any) such as land, building, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Operating Revenues and Expenses**

The statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Net Patient Service Revenue**

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Charity Care**

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not included in net revenue.

**Income Tax**

The District is a political subdivision under the laws of the State of Louisiana, and therefore, it is exempt from federal income tax pursuant to Section 115 of the Internal Revenue Code. Additionally, pursuant to Section 1.6033-2(g)(6) of the Income Tax Regulations, it is not required to file an information return form 990.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

---

**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction of capital assets (if any) is capitalized as a component of the cost of acquiring those assets.

**Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters except for employee health claims which are partially self-funded.

**Supplies Inventory**

Supplies inventory used in the course of treatment and for internal use are carried at the lower of cost or market using the first-in, first out (FIFO) method.

**Presentation**

Certain prior year amounts may have been reclassified in order to be presented comparatively with the current year classifications.

**Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 19, 2010, the date the financial statements were available to be issued.

**2. NET PATIENT SERVICE REVENUE**

The District operates a Critical Access Hospital. Medicare and Medicaid inpatient services, certain outpatient services, and defined capital and medical education costs related to beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost after submission of annual cost reports by the District and audits thereof by the fiscal intermediary. The District's classification of patients under these programs and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District.

Subject to the above mentioned review, the retroactive settlements receivable from (payable to) these programs at September 30, 2009 and 2008, respectively were \$951,209 and \$187,857. Adjustments to these amounts (if any) will be recognized in the year of determination.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND**  
**d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**  
**SEPTEMBER 30, 2009 AND 2008**

---

**2. NET PATIENT SERVICE REVENUE** *(Continued)*

	<u>2009</u>	<u>2008</u>
Current cost report receivable from (payable to) Medicare	\$ 719,737	\$ 158,169
Current cost report receivable from (payable to) Medicaid	81,332	29,688
Lump sum receivable from Medicaid	16,517	-
Prior years settlements due from Medicare	115,439	-
Prior years settlements due to Medicare	(54,539)	-
Prior years settlements due from Medicaid	72,723	-
Net third-party settlements	<u>\$ 951,209</u>	<u>\$ 187,857</u>

The District receives a disproportionate share payment for uncompensated care. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the state's fiscal year. The District received \$637,682 and \$1,310,480 in disproportionate share payments for the years ending September 30, 2009 and 2008, respectively.

The District has also entered into agreements with Blue Cross and certain commercial insurance carriers, health maintenance organizations, etc. The basis for payment to the District under these various agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The District's previous reimbursements are also subject to review by federal authorities. These authorities have several initiatives in progress. No material liabilities have been identified to date under these review programs; however, potential exists for future claims. These will be recognized in the year the amounts are determined, if any.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

**3. UNCOMPENSATED CARE**

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. Additionally, the District foregoes charges relating to Medicare, Medicaid, and other third-party payors. Following is a schedule of patient service revenue at established rates and charges foregone for the years ended September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Gross patient service revenue	\$20,365,861	\$ 19,433,102
Medicare and Medicaid contractual adjustments	(3,676,820)	(4,138,267)
Charity care, bad debts, and uncollected accounts	(1,122,586)	(521,374)
Other third-party payors	<u>(1,019,938)</u>	<u>(928,286)</u>
	<u>\$14,546,517</u>	<u>\$ 13,845,175</u>

**4. LIMITED USE ASSETS AND INVESTMENTS**

The components of assets limited as to use and investments at September 30, 2009 and 2008, are set forth in the following table:

	<u>2009</u>	<u>2008</u>
<b>Limited use assets - current</b>		
Internally designated for employee benefits		
Cash and cash equivalents	\$ 13,870	\$ 49,792
Internally designated for capital acquisition		
Cash and cash equivalents	<u>1,222</u>	<u>523</u>
	<u>\$ 15,092</u>	<u>\$ 50,315</u>
<b>Limited use assets - long-term</b>		
Internally designated for maintenance and capital acquisition		
Certificates of deposit	<u>\$ 1,407,407</u>	<u>\$ 1,339,572</u>
<b>Short-term investments</b>		
Internally designated for maintenance and capital acquisition		
Certificates of deposit	<u>\$ 2,391,763</u>	<u>\$ 2,133,507</u>
<b>Long-term investments</b>		
Internally designated for maintenance and capital acquisition		
Certificates of deposit	<u>\$ 636,529</u>	<u>\$ 604,778</u>

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

**5. CONCENTRATIONS OF CREDIT RISK**

**Accounts Receivable** - The District is located in Delhi, Louisiana. The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2009</u>	<u>2008</u>
Medicare	46%	48%
Medicaid	11%	6%
Commercial and other third party payors	<u>43%</u>	<u>46%</u>
	<u>100%</u>	<u>100%</u>

	<u>2009</u>	<u>2008</u>
Accounts receivable - GROSS	\$3,011,404	\$3,841,114
Allowance for bad debts, contractual adjustments and uncollected accounts	<u>(1,378,670)</u>	<u>(2,111,701)</u>
Accounts receivable - NET	<u>\$1,632,734</u>	<u>\$1,729,413</u>

**Bank Accounts** - State statutes authorized the District to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At September 30, 2009 and 2008, the District had bank balances as follows:

	<u>2009</u>	<u>2008</u>
Insured (FDIC)	\$ 1,322,840	\$ 559,394
Collateralized by pledged securities	3,658,999	3,718,739
Uncollateralized	-	41,152
Total	<u>\$ 4,981,839</u>	<u>\$ 4,319,285</u>
Carrying Value	<u>\$ 4,898,316</u>	<u>\$ 4,199,158</u>

**Physicians** - The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

**Suppliers** - The District is dependent on a third-party provider of emergency care services. Failure to obtain favorable renewal of this contract or locate an alternative supplier could result in a future disruption of service to patients.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

**5. CONCENTRATIONS OF CREDIT RISK (Continued)**

The District's investments and collateralized securities may be exposed to the following types of risks:

**Interest Rate Risk** – Interest rate risk that market values of investments will change based on changes in market interest rates.

**Credit Risk** – Credit risk is the risk that the issuer of other counterparty to an investment will not fulfill its obligations. At September 30, 2009 and 2008, the District's investments were limited, primarily to savings accounts and certificates of deposits.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

**6. CAPITAL ASSETS**

A summary of capital assets at September 30, 2009 and 2008 follows:

	Balance 09/30/08	Increases	Decreases	Balance 09/30/09	Depreciable Lives
Capital assets not being depreciated:					
Land	\$ 159,695	\$ -	\$ -	\$ 159,695	
Construction in progress	-	69,126	-	69,126	
Total capital assets not being depreciated	159,695	69,126	-	228,821	
Other capital assets:					
Land improvements	73,508	-	-	73,508	10-20 years
Buildings and improvements	4,139,896	-	-	4,139,896	5-40 years
Equipment	3,426,277	47,917	-	3,474,194	3-20 years
Leased assets	1,176,256	-	-	1,176,256	3-5 years
Total other capital assets at historical cost	8,815,937	47,917	-	8,863,854	
Less accumulated depreciation for:					
Land improvements	(30,515)	(4,281)	-	(34,796)	
Buildings and improvements	(2,487,300)	(164,845)	-	(2,652,145)	
Equipment	(2,730,324)	(259,142)	-	(2,989,466)	
Leased assets	(605,723)	(235,037)	-	(840,760)	
Total accumulated depreciation	(5,853,862)	(663,305)	-	(6,517,167)	
Other capital assets, net	2,962,075	(615,388)	-	2,346,687	
Total capital assets, net	\$ 3,121,770	\$ (546,262)	\$ -	\$ 2,575,508	

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND**  
**d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**  
**SEPTEMBER 30, 2009 AND 2008**

**6. CAPITAL ASSETS (Continued)**

During the current year, the District began the planning phases of a construction project to add on to the hospital facility. The approximate cost of the project is \$1,000,000. The District has been notified that they will receive approximately \$500,000 in grant funds from the State of Louisiana to fund a portion of the construction. The remainder of the project will be paid by the District using existing funds. Amounts recorded in construction in progress at September 30, 2009 are \$69,126.

	Balance 09/30/07	Increases	Decreases	Balance 09/30/08	Depreciable Lives
Capital assets not being depreciated:					
Land	\$ 159,695	\$ -	\$ -	\$ 159,695	
Other capital assets:					
Land improvements	73,508	-	-	73,508	10-20 years
Buildings and improvements	4,557,599	18,939	(436,642)	4,139,896	5-40 years
Equipment	3,831,085	410,502	(815,310)	3,426,277	3-20 years
Leased assets	1,176,256	-	-	1,176,256	3-5 years
Total other capital assets at historical cost	9,638,448	429,441	(1,251,952)	8,815,937	
Less accumulated depreciation for:					
Land improvements	(26,234)	(4,281)	-	(30,515)	
Buildings and improvements	(2,756,958)	(166,984)	436,642	(2,487,300)	
Equipment	(3,368,208)	(177,426)	815,310	(2,730,324)	
Leased assets	(314,895)	(290,828)	-	(605,723)	
Total accumulated depreciation	(6,466,295)	(639,519)	1,251,952	(5,853,862)	
Other capital assets, net	3,172,153	(210,078)	-	2,962,075	
Total capital assets, net	\$ 3,331,848	\$ (210,078)	\$ -	\$ 3,121,770	

**7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**

A summary of long-term debt and capital lease obligations at September 30, 2009 and 2008, follows:

	Balance 09/30/08	Increases	Decreases	Balance 9/30/09	Amounts Due Within One Year
Certificates of indebtedness, Series 2002, with an interest rate of 4.7%, maturing serially on February 1, of each year beginning in 2002, with interest payable on February 1 and August 1, of each year, with the final maturity being February 1, 2011, secured tax revenues.	\$ 216,500	\$ -	\$ (68,900)	\$ 147,600	\$ 72,100
Capital lease obligations, at varying rates of imputed interest from 3.75% to 4.79% collateralized by leased equipment.	692,601	-	(243,162)	449,439	229,459
	<u>\$ 909,101</u>	<u>\$ -</u>	<u>\$ (312,062)</u>	<u>\$ 597,039</u>	<u>\$ 301,559</u>



**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

**7. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS (Continued)**

	<u>Balance</u> <u>09/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/08</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Certificates of indebtedness, Series 2002, with an interest rate of 4.7%, maturing serially on February 1, of each year beginning in 2002, with interest payable on February 1 and August 1, of each year, with the final maturity being February 1, 2011, secured tax revenues.	\$ 282,300	\$ -	\$ (65,800)	\$ 216,500	\$ 68,900
Capital lease obligations, at varying rates of imputed interest from 3.75% to 4.79% collateralized by leased equipment.	932,811	-	(240,210)	692,601	243,319
	<u>\$ 1,215,111</u>	<u>\$ -</u>	<u>\$(306,010)</u>	<u>\$ 909,101</u>	<u>\$ 312,219</u>

A summary of long-term debt and capital lease obligations following September 30, 2009 follows:

<u>Year(s) Ending</u> <u>September 30,</u>	<u>Bond Sinking Fund Requirements</u>			<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 72,100	\$ 5,243	\$ 77,343	\$ 229,459	\$ 15,378
2011	75,500	1,774	77,274	162,240	6,158
2012	-	-	-	57,740	752
	<u>\$ 147,600</u>	<u>\$ 7,017</u>	<u>\$ 154,617</u>	<u>\$ 449,439</u>	<u>\$ 22,288</u>

**8. COMMITMENTS AND CONTINGENCIES**

**Operating Leases** - The District leases various equipment and facilities under operating leases expiring at various dates. Total rental expense in 2009 and 2008 for all operating leases was approximately \$124,394 and \$138,293, respectively.

**Litigation** - The District is the defendant in certain litigation arising in the normal course of its business. In the opinion of management and the District's legal counsel, the claims are without merit and the awards for damages (if any) resulting from these claims are not expected to be significant or will not exceed the applicable insurance coverage. Therefore, the District has made no provision in the financial statements for loss contingency related to these suits.

**Professional Liability** - The District participates in the Louisiana Patients' Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides \$400,000 in coverage per occurrence above the first \$100,000 per occurrence. The first \$100,000 is covered by the Louisiana Hospital Association Malpractice & General Liability Trust. There is not a limitation placed on the number of occurrences covered.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

**8. COMMITMENTS AND CONTINGENCIES (Continued)**

**Worker's Compensation** - The District participates in the Louisiana District Association's Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of assessments, if any, under this program. The portion of the fund that is refundable to the District is included in other assets.

**Insurance Arrangements** - The District is self-insured for employee health claims. Losses more than \$25,000 for each employee incurred each year are covered by excess insurance. Additionally, insurance covers aggregate expenses in excess of \$759,536. A receivable of \$153,217 and \$128,285 has been recorded for the years ended September 30, 2009 and 2008, respectively in accordance with the excess insurance coverage. An estimated liability of \$316,788 and \$212,840 has been recorded for claims that are unpaid at September 30, 2009 and 2008, respectively, as well as for those that are incurred but not reported. This estimate is based on an analysis of claims filed subsequent to that date in conjunction with the above noted excess insurance.

	Liability at Beginning of Year	Claims Payments	Current Year Claims and Changes in Estimates	Liability at End of Year
2008-2009	\$ 212,840	\$ 1,069,224	\$ (965,276)	\$ 316,788
2007-2008	\$ 152,365	\$ 1,035,412	\$ (974,937)	\$ 212,840

**9. EMPLOYEE BENEFITS**

**Compensated Absences** - As of September 30, 2009 and 2008, the District has accrued compensated absence liability of \$210,900 and \$201,360, respectively. The District does pay accrued paid time off upon termination if proper notice and termination procedures are followed.

**Pension Plan** - The District elected to withdraw from the Social Security System effective January 1, 1993. In place of the Social Security System, the District established a defined contribution annuity plan. Employees are eligible to participate upon date of employment and, after one year of service, the employee is fully vested in the employer's matching contribution. Contributions to the plan by the District are determined by the Board of Commissioners, at a minimum of 6.2% of the participant's compensation.

	<u>2009</u>	<u>2008</u>
Participant salaries	\$ 8,330,623	\$ 7,600,943
Contributions by employees	\$ 499,082	\$ 456,825
Percent of participant salaries	5.99 %	6.01 %
Contributions by the Hospital	\$ 536,948	\$ 489,749
Percent of participant salaries	6.45 %	6.44 %

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

---

**10. FUNCTIONAL EXPENSES**

The District provides general health care services to residents within its geographic vicinity. Expenses related to providing these services are as follows:

	<u>2009</u>	<u>2008</u>
Health care services	\$ 12,883,264	\$ 12,153,279
General and administrative	<u>2,297,403</u>	<u>2,072,940</u>
	<u>\$ 15,180,667</u>	<u>\$ 14,226,219</u>

**11. JOINT VENTURE**

The District entered into a cooperative endeavor agreement on August 15, 2001, with Delhi Homecare, LLC. The agreement's intention is to ensure that home health services are readily available to the residents of the District's service area. The District participates in profits and losses equal to seventy-one percent within its service area. Outside of the District's service area, the participation is lowered to twenty-nine percent. The District's liability for losses is limited to the amount of annual rent paid by Delhi Homecare, LLC. The District does not have an equity interest in the cooperative endeavor; therefore, accounts for this arrangement use the cost method. The District terminated its cooperative endeavor agreement effective October 1, 2003, with Delhi Homecare, LLC and entered into a new agreement. Under the terms of the new agreement, the District agreed to change its profit sharing percentage from seventy-one percent and twenty-nine percent to thirty-three percent in exchange for \$315,000 and a thirty-three percent equity interest in Delhi Homecare, LLC. The \$315,000, plus the \$77,419 of equity interest acquired by the District, was reported as a gain on the sale of assets at the date of the sale. At September 30, 2009 and 2008, the investment was \$143,243 and \$151,035, respectively, with \$65,824 and \$73,616, respectively, being current amounts due from Delhi Homecare, LLC. For the years ended September 30, 2009 and 2008, the District recorded gains on the investment of \$345,017 and \$321,697, respectively.

**12. AFFILIATED ORGANIZATION**

Affiliated organizations include Richland Parish Service District No. 1, Richland Parish Hospital Service District No. 1B, and the Richland Parish Police Jury. The districts are related because they are all political subdivisions of the Richland Parish Police Jury who appoints their commissioners.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2009 AND 2008**

---

**13. BOARD MEMBERS**

Board members of the District and their compensation for 2009 and 2008 are as follows:

<u>Member</u>	<u>Compensation</u>
Paul Grandon, MD	None
Eleanor Jones	None
Nathan Monroe	None
Milton Linder	None
Charles Black	None

**14. SUBSEQUENT EVENT**

Subsequent to year end, the District entered into three capital lease agreements with a lessor for mammography equipment, a Sony mammography film station, and a film digitizing system. Each lease is for a period of 5 years at a total cost of approximately \$248,000.

**PARRISH • MOODY & FIKES, p.c.**

CERTIFIED PUBLIC ACCOUNTANTS

7901 WOODWAY DRIVE, SUITE 100

WACO, TEXAS 76712-3866

(254) 776-8244

FAX (254) 776-8277

E-MAIL: [pmf@pmfwaco.com](mailto:pmf@pmfwaco.com)

OFFICES IN:  
WACO & AUSTIN,  
TEXAS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

---

To the Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

We have audited the financial statements of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the "*District*"), as of and for the year ended September 30, 2009, and have issued our report thereon dated February 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2009-1 to 2009-2 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entities internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2009-1.

We noted certain other matters that we reported to management of the District in a separate letter dated February 19, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and the Office of the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Waco, Texas  
February 19, 2010

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

---

**SIGNIFICANT DEFICIENCIES**

**2009-1: Related Party Transactions –**

During the audit, it was noted that the District is a 33% owner in a joint venture in the operations of Delhi Homecare, LLC. The District's Chief Executive Officer receives rental income from a building that he owns. The Delhi Homecare, LLC operations are located within this building. There is a prohibition against a public servant participating in a transaction in which he has a personal substantial economic interest if he either reasonably can be expected to knowingly involve his governmental entity, LA R.S. 42:1112 (A), or actually knowingly involves his governmental entity, LA R.S. 42:1112 (B). It is our recommendation that the client obtain further clarification from the ethics board on this issue.

**Management's Response:** Subsequent to September 30, 2009, the Louisiana Board of Ethics issued a preliminary opinion indicating that the Chief Executive Officer has been approved to sell the property in an effort to eliminate this related party transaction.

**2009-2: Audit Adjustments –**

During the course of the audit, we noted a few significant audit adjustments were made to the general ledger to provide a more accurate picture of the District's financial position. We understand that in part, these adjustments are largely due to a difference in estimates made by management. However, we suggest the District continually monitor the general ledger to possibly decrease the need for audit adjustments.

**Management's Response:** We agree that audit adjustments should be minimal, in order to present more accurate interim financial statements. We have implemented processes to help minimize the number and effect of audit adjustments. We realize that due to the nature of the Medicare cost report and our conservative approach in arriving at financial statement estimates, audit adjustments may still be necessary in future years.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

---

**SIGNIFICANT DEFICIENCIES**

**2008-1: Related Party Transactions –**

During the audit, it was noted that the District is a 33% owner in a joint venture in the operations of Delhi Homecare, LLC. The District's Chief Executive Officer receives rental income from a building that he owns. The Delhi Homecare, LLC operations are located within this building. There is a prohibition against a public servant participating in a transaction in which he has a personal substantial economic interest if he either reasonably can be expected to knowingly involve his governmental entity, LA R.S. 42:1112 (A), or actually knowingly involves his governmental entity, LA R.S. 42:1112 (B). It is our recommendation that the client obtain further clarification from the ethics board on this issue.

**Management's Response:** A legal opinion was obtained prior to this transaction. All pertinent information has been submitted to the ethics board for further ruling. A determination by the ethics board is currently pending.

**Current Status:** Subsequent to September 30, 2009, the Louisiana Board of Ethics issued a preliminary opinion indicating that the Chief Executive Officer has been approved to sell the property in an effort to eliminate this related party transaction.

**2008-2: Deposits in Excess of Federally Insured Limits –**

We noted that the District maintains funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit in certain depository institutions. We suggest that the District evaluate the credit risk (if any) associated with these deposits and formulate a policy which explicitly defines the amounts which may be on deposit with a particular institution. Additionally, we recommend that the District obtain regular reports detailing the amount of pledged securities (if any) from the financial institutions where funds are on deposit so that additional pledges may be obtained when deposits exceed federally insured limits.

**Management's Response:** Management routinely monitors the FDIC and pledged securities coverage of the District's deposits. Management will follow-up with the institutions where the short-fall exists and will obtain a sufficient amount of coverage.

**Current Status:** The District routinely monitors the FDIC and pledged securities coverage of the District's deposits to ensure sufficient amounts of coverage.

**2008-3: Segregation of Duties –**

The District has a lack of segregation of duties. While management has segregated certain specific functions and attempts to provide control commensurate with the District's level of staffing, the overall control of accounting data is more concentrated than desirable. This problem is common in smaller and medium sized facilities that are forced to control personnel costs at the expense of improved control. We suggest that the District evaluate whether its level of control is appropriate for its current situation. Our chief area of concern is the lack of segregation of duties regarding general reconciliations and general ledger access. Where possible, we believe that it is desirable to separate personnel functions of performing reconciliations from those that can post adjustments to the general ledger.



**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

---

**2008-3: Segregation of Duties – (Continued)**

**Management's Response:** The District will make necessary changes to segregate duties.

**Current Status:** The District has made the necessary changes to separate personnel functions to achieve sufficient segregation of duties.

**2008-4: Accounts Receivable Late Charges –**

During the course of our field work, we noted that sometimes "late charges" would be added to a patient account. Late charges are simply charges that are not recorded on the patient account or the general ledger at the date of service. Rather, they are posted at some later date. Late charges have two implications:

- The account may already be billed when the charges are added to the account. Because the District is reimbursed on a rate per day, this has no initial reimbursement effect for the District. However, it does have a cost report effect at year end. The bottom line is that according to Medicare these "late charges" do not exist.
- "Late charges" may cause revenues to be reported in the wrong accounting period. Management continues to address late charges by generating daily charge reports for departmental reconciliation on a daily basis.

**Management's Response:** The District has a policy in place to re-bill late charges to Medicare.

**Current Status:** The District adheres to its policy to re-bill late charges to Medicare.

**2008-5: Depreciation Schedule –**

During the course of our audit work, we noted the capital assets schedule is kept in an excel spreadsheet, which makes it difficult to track accumulated depreciation and can leave room for error. We suggest the District begin using a software system that has the capabilities to maintain the depreciation schedule in more detail.

**Management's Response:** Subsequent, the District has begun to utilize the fixed asset module of the new computer system.

**Current Status:** The District now utilizes the fixed asset module in its computer system to maintain the depreciation schedule.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

---

**2008-6: Audit Adjustments --**

During the course of the audit, we noted a few significant audit adjustments were made to the general ledger to provide a more accurate picture of the District's financial position. We understand that in part, these adjustments are largely due to a difference in estimates made by management. However, we suggest the District continually monitor the general ledger in hopes to decrease the need for audit adjustments.

**Management's Response:** We agree that audit adjustments should be minimal, in order to present more accurate interim financial statements. We have begun implementing processes to help minimize the number and effect of audit adjustments. We realize that due to the nature of the Medicare cost report and our conservative approach in arriving at financial statement estimates, audit adjustments may still be necessary in future years.

**Current Status:** The District has implemented processes to help minimize the number and effect of audit adjustments and to present the interim financial statements more accurately.

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH  
OF RICHLAND  
d.b.a. Richland Parish Hospital  
*Delhi, Louisiana***

***MANAGEMENT LETTER,  
COMMUNICATIONS WITH THE  
BOARD OF COMMISSIONERS,  
AND SUPPLEMENTAL INFORMATION***

***For the Year Ended  
September 30, 2009***

**PARRISH • MOODY & FIKES, p.c.**  
*Certified Public Accountants  
Waco, Texas*



**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

**MANAGEMENT LETTER,  
COMMUNICATIONS WITH THE BOARD OF COMMISSIONERS,  
AND SUPPLEMENTAL INFORMATION**

**SEPTEMBER 30, 2009**

---

**TABLE OF CONTENTS**

	<u>Section</u>
<b>Section A:</b>	
Management Letter	A
<b>Section B:</b>	
Accountant's Report	B-1
Details of Operating Income — Amounts	B-2
Details of Operating Income — Percents	B-3
<b>Section C:</b>	
Communications with the Board of Commissioners	C
<b>Section D:</b>	
Peer Comparison	D-1
Peer Comparison — Graphs	D-2 – D-4
<b>Section E:</b>	
Historical Graphs	E-1 – E-2
Other Graphs	E-3

## *Section A*

**PARRISH • MOODY & FIKES, p.c.**

CERTIFIED PUBLIC ACCOUNTANTS

7901 WOODWAY DRIVE, SUITE 100

WACO, TEXAS 76712-3866

(254) 776-8244

FAX (254) 776-8277

E-MAIL: [pmf@pmfwaco.com](mailto:pmf@pmfwaco.com)

OFFICES IN:  
WACO & AUSTIN,  
TEXAS

February 19, 2010

Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

In planning and performing our audit of the financial statements of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital (the "*District*") as of and for the year ended September 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated February 19, 2010, contains our report on significant deficiencies in the District's internal control. This letter does not affect our report dated February 19, 2010, on the financial statements of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations.

A copy of this letter is included in our supplemental report for information purposes, but it is not intended for general distribution.

If you have any questions regarding these or any other matters, please feel free to contact our office.

Sincerely,

*Parrish, Moody & Fikes, PC*

### ***MANAGEMENT LETTER POINT***

#### **Information Technology —**

Information Technology is an ever evolving discipline which affects the system's integrity and security. We suggest that the District review their policies and procedures to ensure that it addresses at a minimum the items noted below:

- All computer monitor screens facing the public be equipped with privacy screens.
- Logs are generated and kept regarding personnel who have accessed sensitive data.
- Logs are reviewed and followed up on if personnel with no need to access have been logged.
- External media (such as thumb drives) are either prohibited or encrypted to avoid either dissemination of protected information; whether accidentally or maliciously.
- Physical security of the server room to prevent unauthorized access.
- Password protection of all servers; especially those that are wireless and could be accessed by unauthorized users.

**Management's Response:** The District has contracted with a third-party to conduct an Information Technology Security Assessment regarding electronic protection of patient health information. The District is currently awaiting final report on the Assessment. We are currently implementing preliminary findings from the site visit, such as:

- Password requirements
- Monitor web usage
- Updating IS HIPAA policies for new standards

Anticipate completion in 3-6 months — will be reviewed again at that time — major infractions complete in 3 months.

## ***Section B***



**PARRISH • MOODY & FIKES, p.c.**  
CERTIFIED PUBLIC ACCOUNTANTS

7901 WOODWAY DRIVE, SUITE 100  
WACO, TEXAS 76712-3866

(254) 776-8244  
FAX (254) 776-8277  
E-MAIL: pmf@pmfwaco.com

OFFICES IN:  
WACO & AUSTIN,  
TEXAS

**ACCOUNTANT'S REPORT**

---

To the Board of Commissioners  
Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
Delhi, Louisiana

We have compiled the accompanying supplemental statements of revenues and expenses of Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital, as of the years shown at Page B-2, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying revenues and expenses and, accordingly, do not express an opinion or any other form of assurance on them.

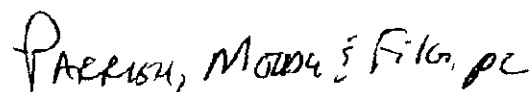
U.S. generally accepted accounting principles call for patient revenues to be presented net of contractual adjustments. Because these are considered to be a very important factor in the results of operations, contractual adjustments have been included in the statements of operations. If U.S. generally accepted accounting principles had been followed, these statements would only have shown the net patient service revenues. There is no impact on the excess of revenues over expenses because of this presentation.

Since they have already been disclosed in the audited financial statements, management has elected to omit substantially all of the disclosures required by U.S. generally accepted accounting principles in this report. If the omitted disclosures were included with the income statements, they might influence the user's conclusions about the District's results of operations. Accordingly, these income statements are not designed for those who are not informed about such matters.

The financial statements for Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital for the years ended September 30, 2009 and 2008, were audited by us, and we expressed an unqualified opinion on them in our respectively dated reports, but we have not performed any auditing procedures since the original date of our auditor's reports.

The financial statements for Hospital Service District No. 1A of the Parish of Richland d.b.a. Richland Parish Hospital for the years ended September 30, 2007 and 2006, were audited by other auditors who expressed unqualified opinions on them.

Pages B-3 and D-1 through E-3 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

  
Waco, Texas  
February 19, 2010

**Hospital Service District No. 1A of the Parish of Richland**  
**d.b.a. Richland Parish Hospital**  
**Supplemental Information**  
**Details of Operating Income**  
**Amounts**  
**For the Years Ended September 30,**

	2006	2007	2008	2009
Inpatient revenue	\$ 8,273,888	\$ 6,388,876	\$ 6,474,687	\$ 6,623,456
Outpatient revenue	8,344,251	8,995,852	9,378,145	9,477,182
Rural health clinic revenue	<u>289,677</u>	<u>3,161,572</u>	<u>3,580,270</u>	<u>4,265,223</u>
<b>Total patient service revenue</b>	<u>16,907,816</u>	<u>18,546,300</u>	<u>19,433,102</u>	<u>20,365,861</u>
Contractual deductions	(4,691,148)	(5,374,953)	(5,448,747)	(4,314,502)
Charity care, bad debts, and uncollected accounts	(1,193,157)	(2,416,786)	(521,374)	(1,122,586)
Other deductions	(786,244)	(683,180)	(928,286)	(1,019,938)
Disproportionate share and other credits	<u>812,567</u>	<u>934,386</u>	<u>1,310,480</u>	<u>637,682</u>
<b>Total deductions from revenue</b>	<u>(5,857,982)</u>	<u>(7,540,533)</u>	<u>(5,587,927)</u>	<u>(5,819,344)</u>
<b>Net patient service revenues</b>	11,049,834	11,005,767	13,845,175	14,546,517
Other revenue	<u>631,178</u>	<u>549,544</u>	<u>564,225</u>	<u>565,133</u>
	<u>11,681,012</u>	<u>11,555,311</u>	<u>14,409,400</u>	<u>15,111,650</u>
Salaries	7,454,824	7,527,010	7,600,943	8,330,623
Employee benefits	1,242,937	1,519,042	1,748,809	1,840,599
Purchased/contracted services	912,214	413,547	516,296	600,710
Payments to physicians - ER	-	447,300	430,900	490,280
Supplies	1,612,967	1,638,156	1,828,045	1,652,572
Education and training	35,540	96,854	53,971	55,750
Travel	56,752	98,894	118,529	109,566
Telephone and utilities	202,872	199,249	232,269	210,939
Maintenance and repairs	201,847	295,266	269,548	373,287
Rental expense	183,128	151,618	138,293	124,394
Insurance	416,323	270,244	327,070	300,048
Legal and professional	83,445	77,602	78,156	136,890
Depreciation and amortization	402,944	572,590	639,519	663,305
Other expenses	<u>193,534</u>	<u>296,548</u>	<u>243,871</u>	<u>291,704</u>
<b>Total operating expenses</b>	<u>12,999,327</u>	<u>13,603,920</u>	<u>14,226,219</u>	<u>15,180,667</u>
<b>Operating income (loss)</b>	<u>(1,318,315)</u>	<u>(2,048,609)</u>	<u>183,181</u>	<u>(69,017)</u>
Property taxes and other government subsidies	126,094	128,916	185,761	255,164
Investment income	156,452	136,080	149,577	174,722
Interest expense	(33,181)	(50,848)	(48,184)	(34,841)
Contributions and grants	250,261	618,288	1,472,398	691,321
Other nonoperating revenue	<u>350</u>	<u>30,500</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (818,339)</u>	<u>\$ (1,185,673)</u>	<u>\$ 1,942,733</u>	<u>\$ 1,017,349</u>

See accountant's report.

**Hospital Service District No. 1A of the Parish of Richland**  
**d.b.a. Richland Parish Hospital**  
**Supplemental Information**  
**Details of Operating Income**  
**Percents**  
**For the Years Ended September 30,**

	2006	2007	2008	2009
Inpatient revenue	48.94 %	34.45 %	33.32 %	32.52 %
Outpatient revenue	49.35 %	48.50 %	48.26 %	46.53 %
Rural health clinic revenue	1.71 %	17.05 %	18.42 %	20.94 %
<b>Total patient service revenue</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>
Contractual deductions	(27.75)%	(28.98)%	(28.04)%	(21.18)%
Charity care, bad debts, and uncollected accounts	(7.06)%	(13.03)%	(2.68)%	(5.51)%
Other deductions	(4.65)%	(3.68)%	(4.78)%	(5.01)%
Disproportionate share and other credits	4.81 %	5.04 %	6.74 %	3.13 %
<b>Total deductions from revenue</b>	<b>(34.65)%</b>	<b>(40.66)%</b>	<b>(28.75)%</b>	<b>(28.57)%</b>
<b>Net patient service revenues</b>	<b>65.35 %</b>	<b>59.34 %</b>	<b>71.25 %</b>	<b>71.43 %</b>
Other revenue	3.73 %	2.96 %	2.90 %	2.77 %
	<b>69.09 %</b>	<b>62.31 %</b>	<b>74.15 %</b>	<b>74.20 %</b>
Salaries	44.09 %	40.58 %	39.11 %	40.90 %
Employee benefits	7.35 %	8.19 %	9.00 %	9.04 %
Purchased/contracted services	5.40 %	2.23 %	2.66 %	2.95 %
Payments to physicians - ER	0.00 %	2.41 %	2.22 %	2.41 %
Supplies	9.54 %	8.83 %	9.41 %	8.11 %
Education and training	0.21 %	0.52 %	0.28 %	0.27 %
Travel	0.34 %	0.53 %	0.61 %	0.54 %
Telephone and utilities	1.20 %	1.07 %	1.20 %	1.04 %
Maintenance and repairs	1.19 %	1.59 %	1.39 %	1.83 %
Rental expense	1.08 %	0.82 %	0.71 %	0.61 %
Insurance	2.46 %	1.46 %	1.68 %	1.47 %
Legal and professional	0.49 %	0.42 %	0.40 %	0.67 %
Depreciation and amortization	2.38 %	3.09 %	3.29 %	3.26 %
Other expenses	1.14 %	1.60 %	1.25 %	1.43 %
<b>Total operating expenses</b>	<b>76.88 %</b>	<b>73.35 %</b>	<b>73.21 %</b>	<b>74.54 %</b>
<b>Operating income (loss)</b>	<b>(7.80)%</b>	<b>(11.05)%</b>	<b>0.94 %</b>	<b>(0.34)%</b>
Property taxes and other government subsidies	0.75 %	0.70 %	0.96 %	1.25 %
Investment income	0.93 %	0.73 %	0.77 %	0.86 %
Interest expense	(0.20)%	(0.27)%	(0.25)%	(0.17)%
Contributions and grants	1.48 %	3.33 %	7.58 %	3.39 %
Other nonoperating revenue	0.00 %	0.16 %	0.00 %	0.00 %
<b>Increase (decrease) in net assets</b>	<b>(4.84)%</b>	<b>(6.39)%</b>	<b>10.00 %</b>	<b>5.00 %</b>

See accountant's report.

## *Section C*

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

***COMMUNICATIONS WITH THE BOARD OF COMMISSIONERS***

In April 1988, the AICPA Auditing Standards Board issued a group of Statements on Auditing Standards commonly referred to as the "*Expectation Gap*" Auditing Statements. The following section provides required communications with the Board under these statements:

<b><u>Statement on Auditing Standards</u></b>	<b><u>Response for the 2009 Audit</u></b>
SAS No. 53, " <i>The Auditor's Responsibility to Detect and Report Errors and Irregularities</i> "	<ul style="list-style-type: none"><li>• We are not aware of any errors or irregularities that have not been communicated to the Board.</li></ul>
SAS No. 54, " <i>Illegal Acts by Clients</i> "	<ul style="list-style-type: none"><li>• We are not aware of any illegal acts that have not been communicated to the Board.</li></ul>
SAS No. 112, " <i>Communication of Internal Control Structure Related Matters Noted in an Audit</i> "	<ul style="list-style-type: none"><li>• We are not aware of any material internal control matters, which would require communication to the Board other than as included with this report.</li></ul>
SAS No. 114, " <i>Communication with Audit Committees</i> "	
The auditor's responsibility	<ul style="list-style-type: none"><li>• Our audit is designed to enable us to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.</li></ul>
Significant accounting policies	<ul style="list-style-type: none"><li>• The Board has been informed of significant accounting policies included in the notes to the financial statements.</li></ul>
Management judgments and accounting estimates	<ul style="list-style-type: none"><li>• Management judgment is required in estimating the allowances for contractual adjustments and estimated uncollectible accounts.</li></ul>

*(continued)*

**HOSPITAL SERVICE DISTRICT NO. 1A OF THE PARISH OF RICHLAND  
d.b.a. Richland Parish Hospital**

***COMMUNICATIONS WITH THE BOARD OF COMMISSIONERS***

**Statement on Auditing Standards**

**Response for the 2009 Audit**

SAS No. 114, "*Communication with Audit Committees*" (Continued)

Significant audit adjustments.

- (1) Entry to record 2009 cost report settlement (increase net assets \$287,010).
- (2) Entry to adjust self-funded health insurance accruals (decrease net assets \$111,908).

Other information in documents containing audited financial statements.

- None

Disagreements with management.

- None

Consultations with other accountants.

- None

Major issues discussed with management prior to retention or reappointment.

- None

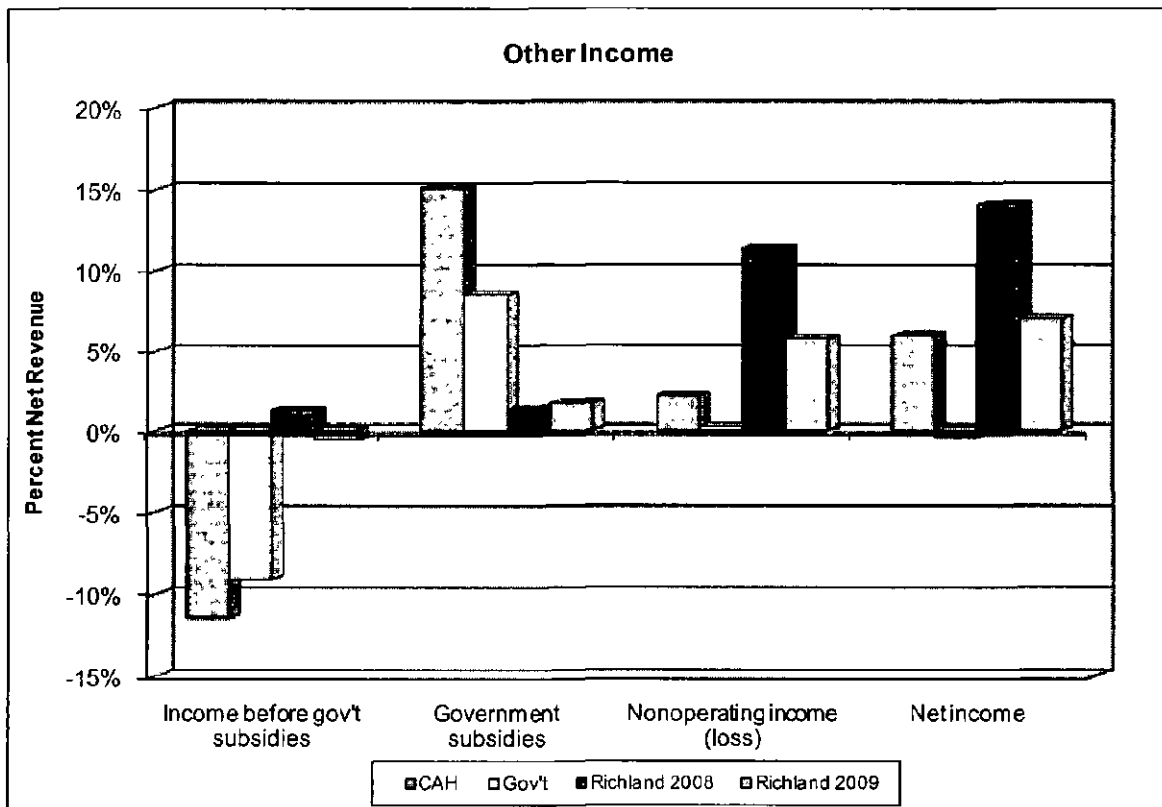
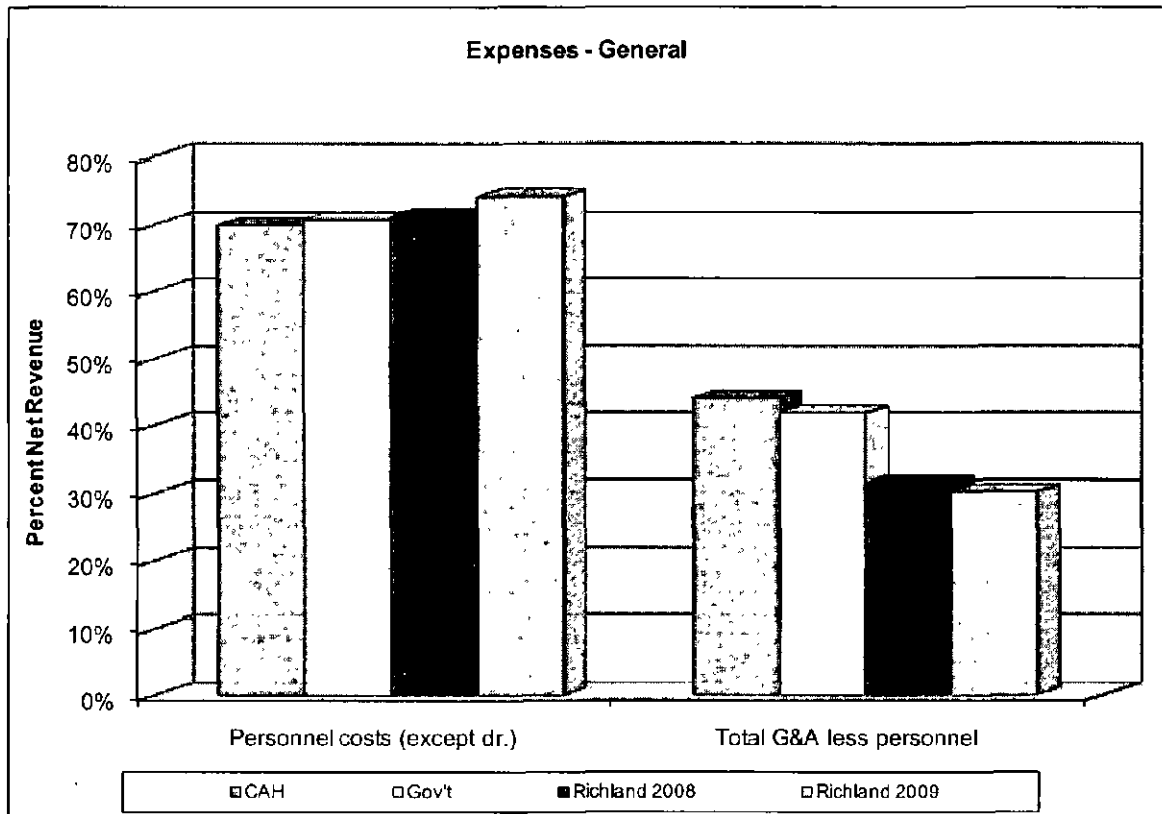
## ***Section D***

**Hospital Service District No. 1A of the Parish of Richland**  
**d.b.a. Richland Parish Hospital**  
**Supplemental Information**  
**Peer Comparison**  
**For the Years Ended September 30,**

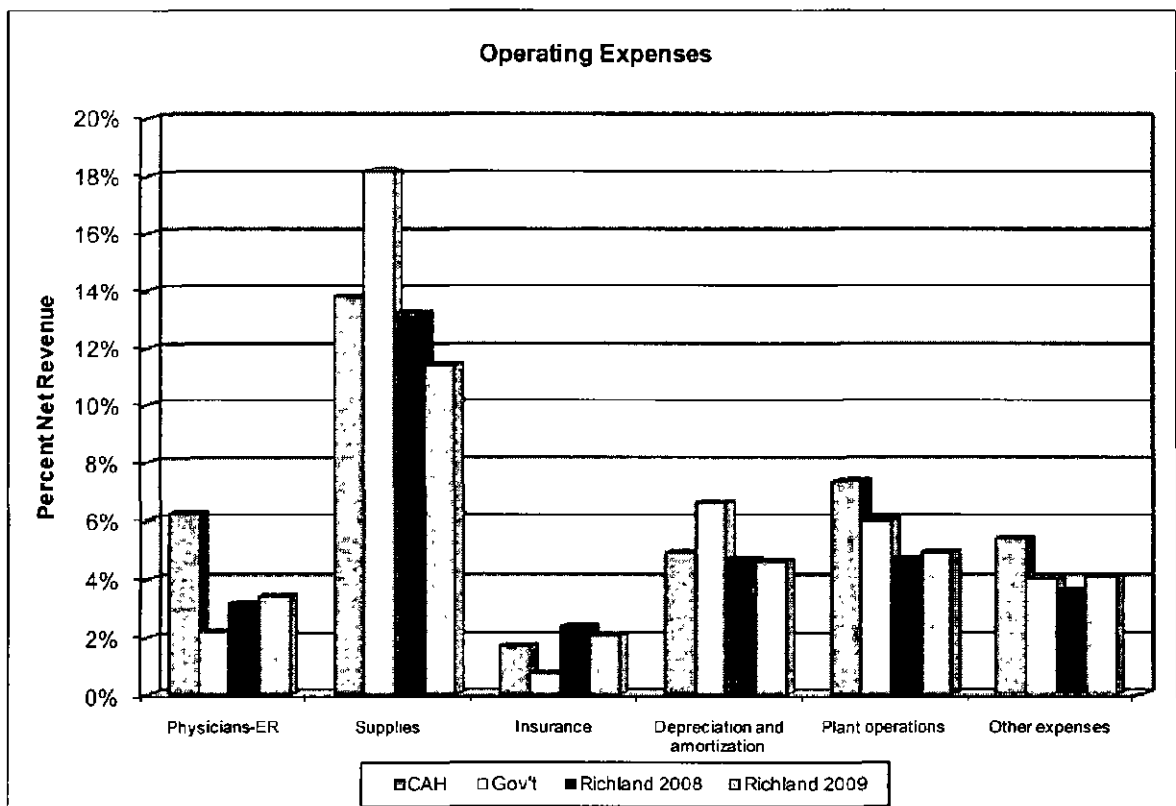
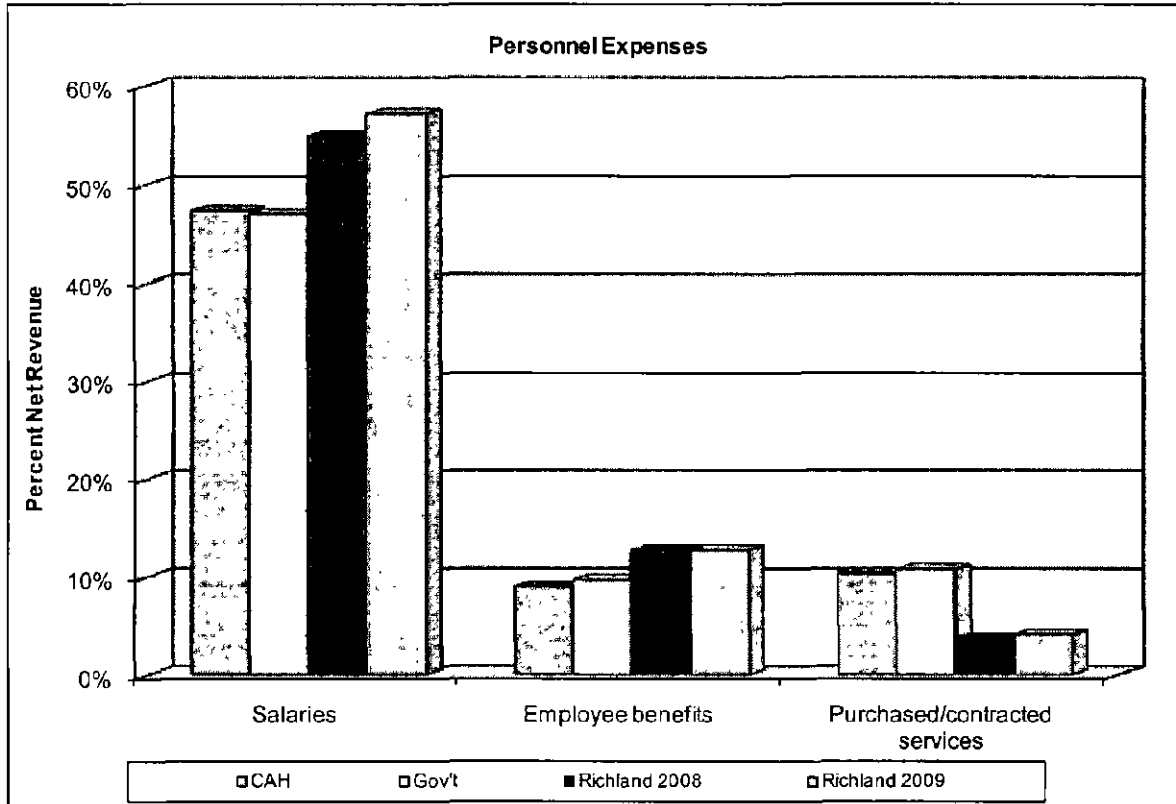
	<b>Critical Access</b>	<b>Governmental</b>	<b>2008</b>	<b>2009</b>
<b>% of Gross Patient Service Revenues</b>				
Inpatient revenue	28.86 %	45.83 %	33.32 %	32.52 %
Outpatient revenue	63.99 %	49.70 %	48.26 %	46.53 %
Home health revenue	1.21 %	0.95 %	0.00 %	0.00 %
Rural health clinic revenue	5.93 %	3.02 %	18.42 %	20.94 %
Long-term care revenue	0.00 %	0.50 %	0.00 %	0.00 %
<b>Total patient service revenues</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>
Contractual deductions	(25.83)%	(37.99)%	(28.04)%	(21.18)%
Charity care, bad debts, and uncollected accounts	(11.96)%	(13.10)%	(2.68)%	(5.51)%
Other deductions	(9.63)%	(10.45)%	(4.78)%	(5.01)%
Disproportionate share and other credits	2.41 %	2.53 %	6.74 %	3.13 %
<b>Total deductions from revenues</b>	<b>(45.01)%</b>	<b>(59.02)%</b>	<b>(28.75)%</b>	<b>(28.57)%</b>
<b>Net patient service revenues</b>	<b>54.99 %</b>	<b>40.98 %</b>	<b>71.25 %</b>	<b>71.43 %</b>
<b>% of Net Patient Service Revenues</b>				
Net patient service revenue	100.00 %	100.00 %	100.00 %	100.00 %
Other operating revenue	2.67 %	3.72 %	4.08 %	3.89 %
	<b>102.67 %</b>	<b>103.72 %</b>	<b>104.08 %</b>	<b>103.89 %</b>
Salaries	47.43 %	47.09 %	54.90 %	57.27 %
Employee benefits	8.99 %	9.66 %	12.63 %	12.65 %
Payroll taxes	3.12 %	3.30 %	0.00 %	0.00 %
Purchased/contracted services	10.40 %	10.80 %	3.73 %	4.13 %
Payments to physicians - ER	6.21 %	2.19 %	3.11 %	3.37 %
Payments to physicians - other	4.94 %	4.27 %	0.00 %	0.00 %
Supplies	13.82 %	18.16 %	13.20 %	11.36 %
Education and training	0.37 %	0.28 %	0.39 %	0.38 %
Travel	0.53 %	0.26 %	0.86 %	0.75 %
Telephone and utilities	3.05 %	2.87 %	1.68 %	1.45 %
Maintenance and repairs	2.43 %	2.11 %	1.95 %	2.57 %
Rental expense	1.88 %	1.02 %	1.00 %	0.86 %
Insurance	1.67 %	0.75 %	2.36 %	2.06 %
Legal and professional	1.02 %	0.58 %	0.56 %	0.94 %
Depreciation and amortization	4.85 %	6.59 %	4.62 %	4.56 %
Other expenses	3.44 %	2.88 %	1.76 %	2.01 %
<b>Total operating expenses</b>	<b>114.14 %</b>	<b>112.79 %</b>	<b>102.75 %</b>	<b>104.36 %</b>
<b>Operating income (loss)</b>	<b>(11.47)%</b>	<b>(9.07)%</b>	<b>1.32 %</b>	<b>(0.47)%</b>
Property taxes and local governmental subsidies	15.13 %	8.51 %	1.34 %	1.75 %
<b>Operating income (loss) after property taxes and local governmental subsidies</b>	<b>3.65 %</b>	<b>(0.56)%</b>	<b>2.66 %</b>	<b>1.28 %</b>
Investment income	0.87 %	1.13 %	1.08 %	1.20 %
Interest expense	(1.17)%	(1.60)%	(0.35)%	(0.24)%
Other nonoperating income (loss)	2.55 %	0.71 %	10.63 %	4.75 %
<b>Nonoperating income (loss)</b>	<b>2.25 %</b>	<b>0.24 %</b>	<b>11.37 %</b>	<b>5.71 %</b>
<b>Increase (decrease) in net assets</b>	<b>5.91 %</b>	<b>(0.32)%</b>	<b>14.03 %</b>	<b>6.99 %</b>



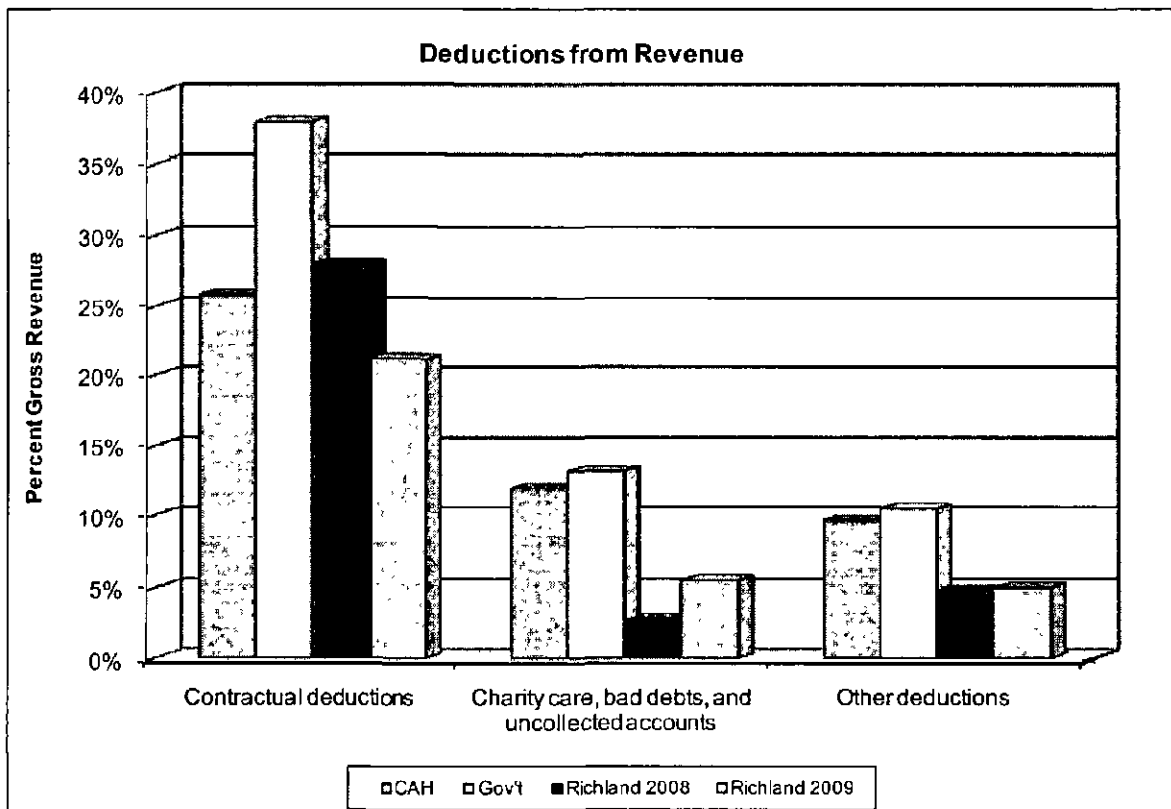
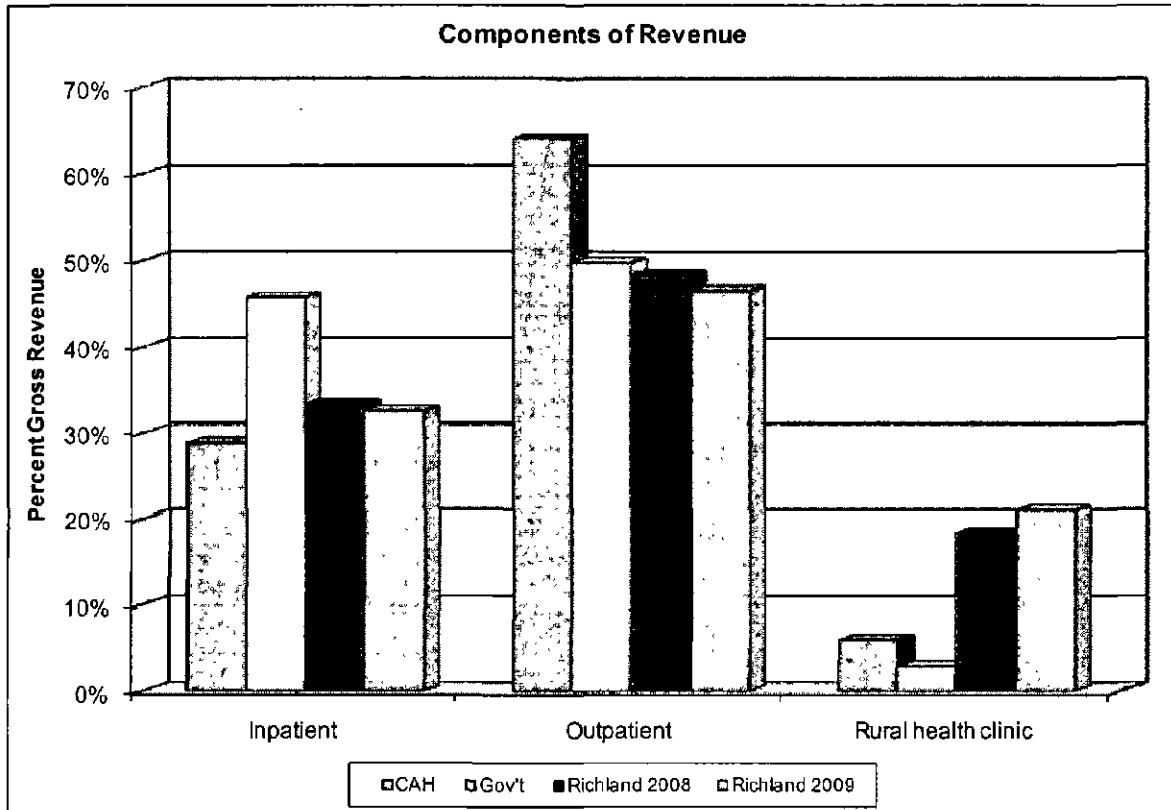
**Hospital Service District No. 1A of the Parish of Richland**  
**d.b.a. Richland Parish Hospital**  
**For the Years Ended September 30,**



**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
For the Years Ended September 30,**

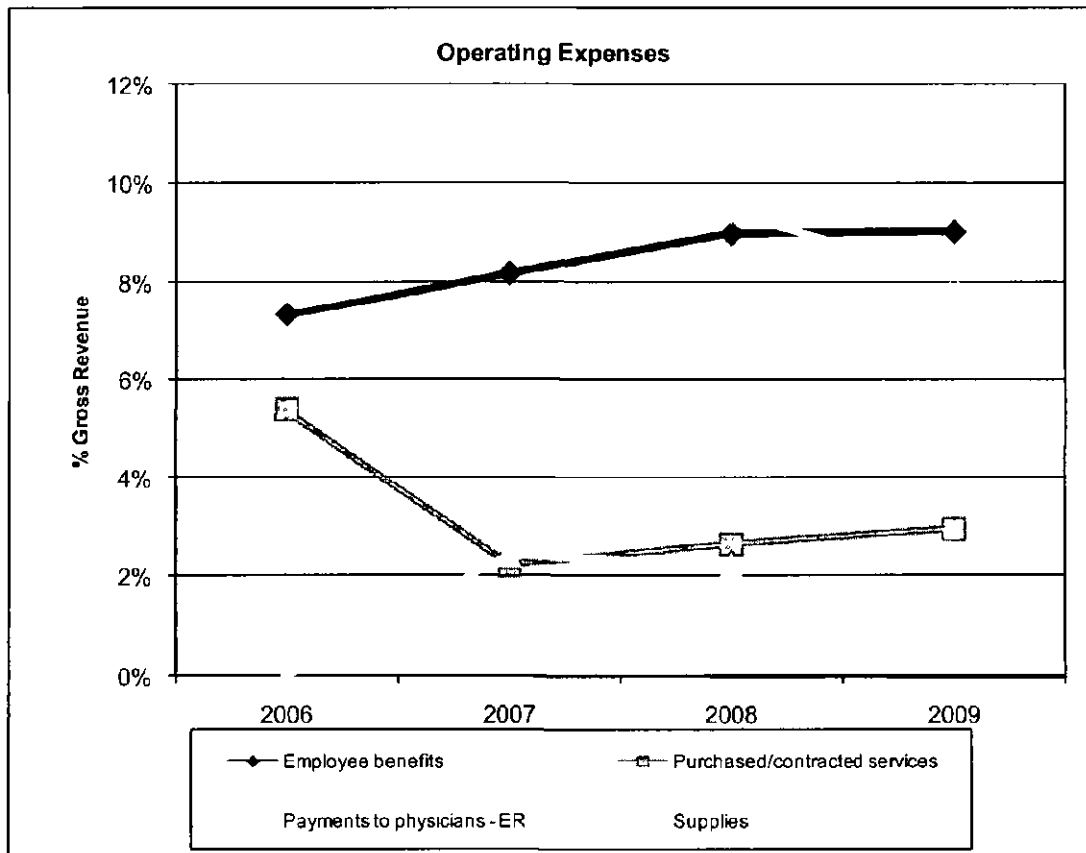
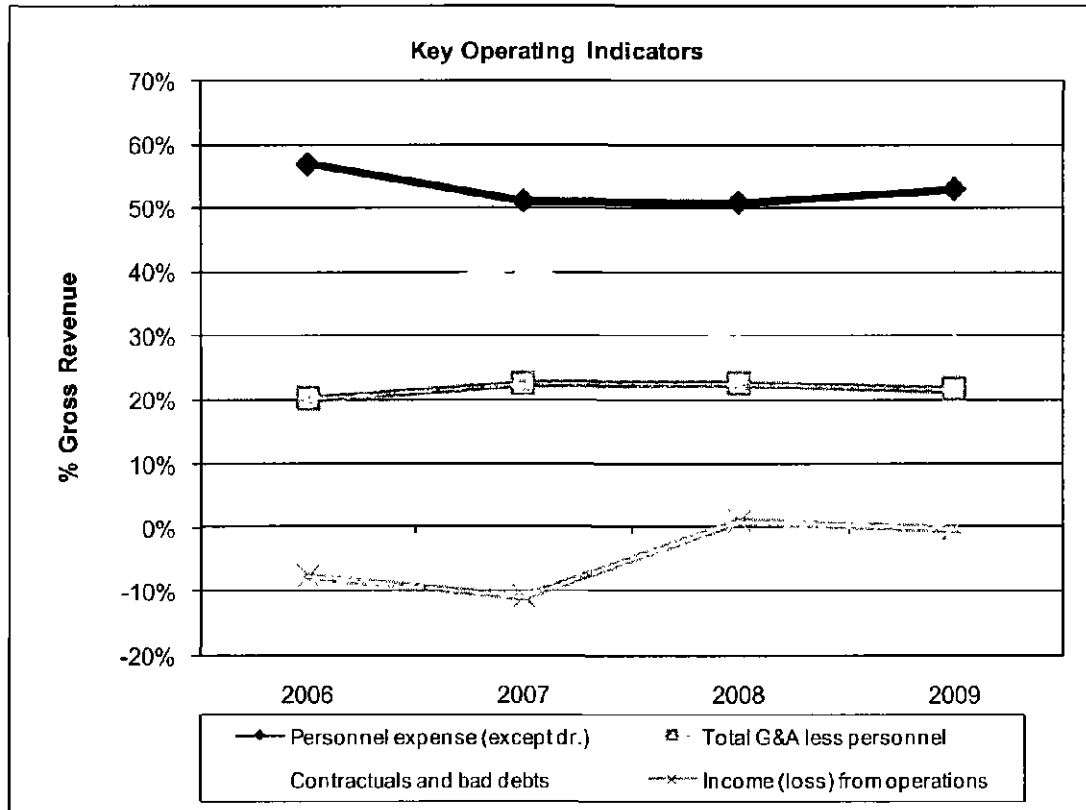


**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
For the Years Ended September 30,**

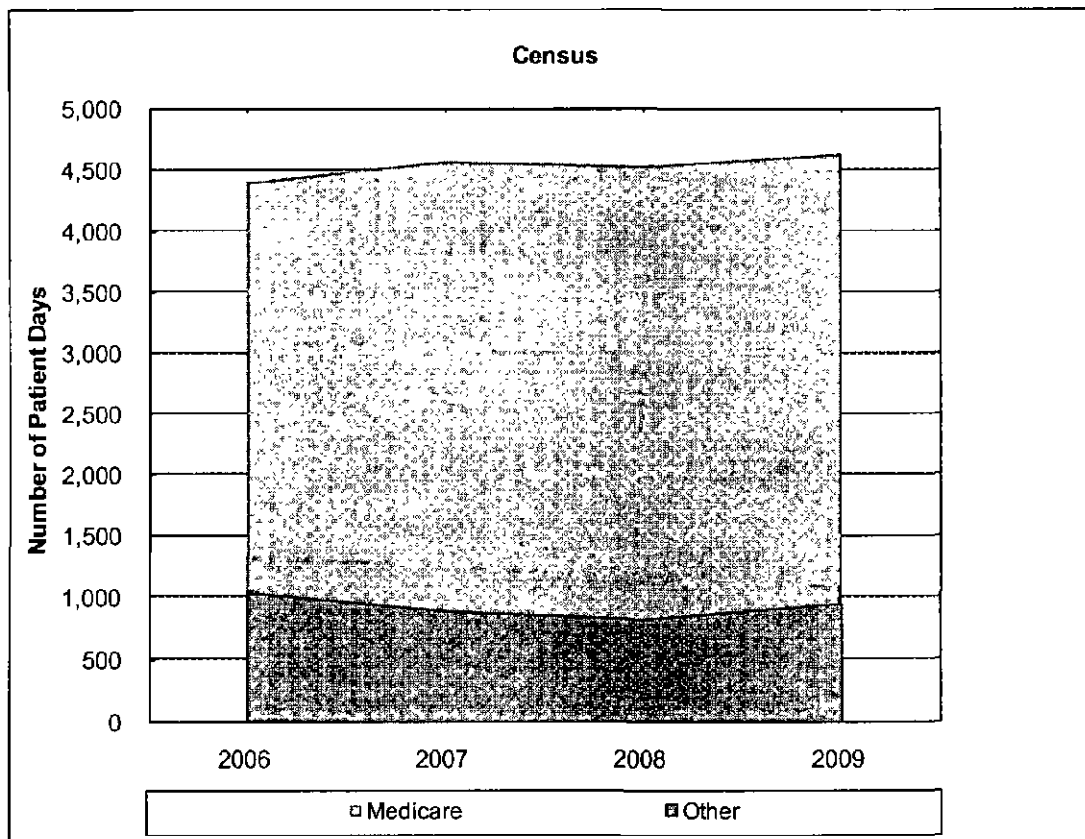
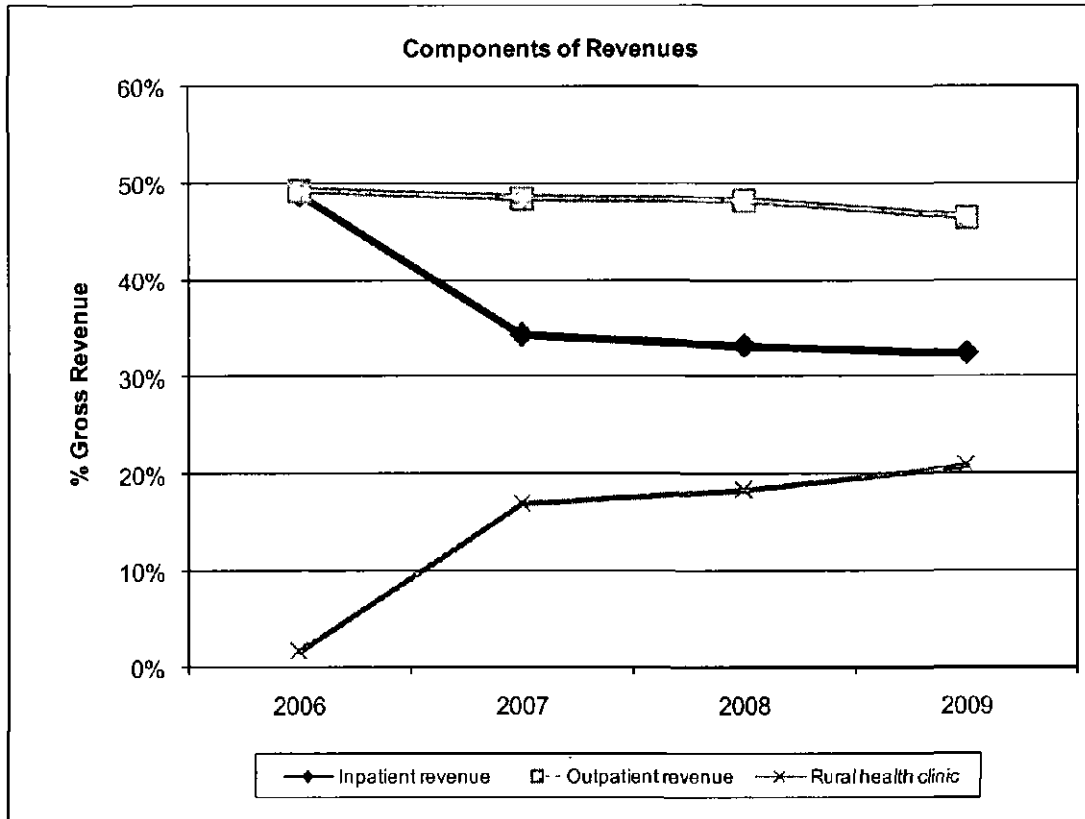


## *Section E*

**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
For the Years Ended September 30,**



**Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
For the Years Ended September 30,**



Hospital Service District No. 1A of the Parish of Richland  
d.b.a. Richland Parish Hospital  
For the Year Ended September 30, 2009

